May 22nd, 2002

California Energy Commission
1616 Ninth Street, Hearing Room A
Sacramento, CA

RE: ENVIRONMENTAL AND ENERGY INFRASTRUCTURE AND LICENSING COMMITTEE

Dear Committee Members:

Thank you very much for allowing Power Innovators the opportunity to address your committee regarding your draft strategic plan for distributed generation, and more to the point provide input to your six (6) questions that are addressed further in our presentation. Before I begin, let me first provide you with some background information about Power Innovators. Power Innovators is a small, Native American woman-owned California Corporation engaged in the design, development, construction and operation of over 1,300 megawatts (MW) of distributed generation and co-generation systems as well as implementation of other energy efficient technologies. Power Innovators was formed in 1999, and has at least 40 projects under construction, several of which will be operational in the next few months.

Power Innovators believes that DG has a role to play in improving overall system reliability during peak periods, because it enables power to be placed on the grid in small quantities at many different locations so that the impact to the grid is minimized. Similar to the micro-grid concept, power can be controlled more on a regionalized basis. DG can co-exist with big merchant plants, and the State of California needs both. DG provides more stability and less vulnerability, because if a merchant plant goes down, large geographic areas will be without power. DG however, affects small geographical areas. Exit fees are barriers to the installation of DG systems and eliminate the potential of using them in combination with merchant plants.

All departing load customers should be exempt from exit fees for a number of reasons: 1) they are removing demand from the grid so that it can be used by other consumers, without the necessity of creating/building new power facilities; 2) a well-designed DG system can add power back to the grid during peak or whenever necessary, which provides more flexibility and stability to the grid, and 3) when the customer actually uses the power, they should be charged a significant demand charge since power would not be required to be reserved for the departing customer's load.

Departing load customers that self-generate (DG) should be exempt from exit fees, because they remove demand from the grid, and they provide the flexibility to put power back on the grid during peak hours, because it will act as an incentive to encourage customers to size larger than their current

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peak loads. DG customers are also capable of selling over the fence, which helps the utilities meet the growing population's energy demands.

Departing load fees should not be applied at all, and certainly not retroactively. Customers employ thousands of people and managing their bottom line earnings is a necessity for survival. Energy costs in California have risen outside many businesses' control, which has triggered the need to go elsewhere to obtain more economical and reliable power. To penalize customers for making "sound' business systems is contrary to prudent business practices. These customers fought to preserve their ability to not incur financial harm and end up laying employees off, which would have caused significant economic harm to the local communities in which these businesses operated. To penalize them could trigger economic damage to the region unnecessarily. Their contracts for alternative energy should be preserved and they should not be penalized for exercising sound business practice.

Exit fees would be a barrier to entry for the design and installation of DG systems, because clients would be penalized for trying to manage their energy costs and improve their overall reliability. The exit fees could end up causing the customer's overall energy costs with DG to be higher than without DG given the cost of DG systems.

Power Innovators does not believe their needs to be a cost increase in kilowatt-hour for customers staying on the grid. There was a significant amount of money collected for public benefits charges, and those monies could adequately satisfy and negate the need to issue a bond to pay for the energy costs.

Thank you for the opportunity to voice our opinion as a small woman owned business engaged in the development, design, construction and operation of DG power systems that enable businesses to manage their energy costs, without compromising reliability, stability and air quality.

Respectfully,

Jon Langlois
Regulatory and Government Affairs